



STEVE WESTLY
California State Controller

June 2, 2003

K-12 Local Educational Agencies, Joint Powers Entities, and
Certified Public Accountants Performing Audits of
K-12 Local Educational Agencies and Joint Powers Entities

Subject: Annual Audits for Fiscal Year 2002-03

The purpose of this audit guide advisory is to provide additional information to assist independent auditors, local educational agencies (LEAs), and joint powers entities in conducting fiscal year 2002-03 audits. Since the issuance of the K-12 Audit Guide in April 2003, the State Controller's Office (SCO) has received a number of inquiries regarding deferrals of state appropriations due to recent legislative action.

Senate Bill X1 18 added *Education Code* Section 33128.1, allowing LEAs to recognize for budgetary and financial reporting purposes any amount of state appropriations deferred from the current fiscal year and appropriated from the subsequent fiscal year for payment of current-year costs as a receivable in the current year.

The SCO, in consultation with the Bureau of State Audits, will regard these deferrals as payables in the current fiscal year in its GAAP-based financial statements. In addition, a discussion with a representative from the Governmental Accounting Standards Board (GASB) supports the SCO's recording the deferrals as payables in the GAAP-based financial statements. This applies to the June 2003 payment of the second principal apportionment and the 2002-03 deferred appropriations for the Home-to-School Transportation, School Improvement, Targeted Instructional Improvement, and Supplemental Grant programs appropriated in 2003-04 pursuant to Assembly Bill 2781, Chapter 1167, Statutes of 2002.

We recommend that LEAs consult with their independent auditor for proper presentation of these revenue deferrals in the financial statements. Please refer to GASB Statement No. 33 for further information.

This advisory will be available via the Internet on the State Controller's Office homepage at <http://www.sco.ca.gov>.

If you have any questions or need additional information, please contact Jeffrey V. Brownfield, Chief, Division of Audits, at (916) 324-1696.

Sincerely,

A handwritten signature in cursive script that reads "Steve Westly".

STEVE WESTLY
California State Controller